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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 6765
INFO RUEHBK/AMEMBASSY BANGKOK PRIORITY 4484
RUEHBJ/AMEMBASSY BEIJING PRIORITY 5015
RUEHBY/AMEMBASSY CANBERRA PRIORITY 2743
RUEHUL/AMEMBASSY SEOUL PRIORITY 1005
RUEHGP/AMEMBASSY SINGAPORE PRIORITY 7207
RUEHFK/AMCONSUL FUKUOKA PRIORITY 9512
RUEHGZ/AMCONSUL GUANGZHOU PRIORITY 1386
RUEHHK/AMCONSUL HONG KONG PRIORITY 6577
RUEHNH/AMCONSUL NAHA PRIORITY 1874
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 3252
RUEHKSO/AMCONSUL SAPPORO PRIORITY 0092
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0463
RUEHDN/AMCONSUL SYDNEY PRIORITY 0564
RHMFISS/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY
RUEATRS/TREASURY DEPT WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEHIN/AIT TAIPEI PRIORITY 7119

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002317

SIPDIS

DEPARTMENT FOR DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: DECL: 08/22/2018

TAGS: [ETTC](#) [KOMC](#) [JA](#)

SUBJECT: BLUE LANTERN LEVEL 3: POST-SHIPMENT END-USE CHECK
ON LICENSE 050050345

REF: SECSTATE 83174

Classified By: EMIN Robert F. Cekuta for reasons 1.4 b, d.

¶1. (C) Japanese Ministry of Defense (MOD) officials informed EconOff August 19 the U.S. exporter has terminated the contract corresponding to this license. The Air Self Defense Forces did not receive any of the contracted items, and so have not conducted maintenance activities.

¶2. (C) The contract for this procurement was for Japanese Fiscal Year 2006 and consisted of 126 night vision goggles with a delivery deadline of February 26, 2008. Defense Ministry officials said the contract was "closed" December 27, 2006. The delivery date was extended to March 31, 2008. The agreement to terminate the contract was signed March 28, ¶2008.

¶3. (SBU) Defense Ministry officials report Fresco International notified Science Technology Trading (STT), MOD's contract partner, that it was not feasible to deliver within the deadline. The reason given was that the manufacturer of the goods, Aurora, had received a large order from the USG and, as a result, had shifted its manufacturing operations to meet the needs of the USG order. (NOTE: MOD officials asked if USG could comment on the veracity of this statement. End Note). As a result, Aurora reportedly could not ship the goods ordered to Japan. In addition, the optical amplifier tube for the NVD is no longer available.

¶4. (C) Post understands the National Police Agency is currently investigating STT and, so we will need to coordinate with local authorities before arranging a site visit.

¶5. (U) Following is an MOD press release, dated November 15, 2007 and issued in English concerning STT.

Quote

MOD's action to an incident relating to the procurement of night vision equipment for the Air Self Defense Forces.

¶1. In order to furnish Air Self Defense Forces bases with 136 units of Northrop Grumman's night vision equipment for security purposes, MOD made a contract with Science Technology Trading Co., Ltd (STT) in March 2006 (public/open tender, contract amount: 41 million yen (approx. \$370,000), unit price approximately 300,000 yen (approx. \$2,700).

¶2. In February this year, STT delivered 136 units of night vision equipment based on the above contract. However, per indication (advice) from outside, MOD made an inquiry to Northrop Grumman and received response that the night vision equipment supplied to MOD was not manufactured by Northrop Grumman.

¶3. Based on the above fact, MOD will take procedures to cancel the contract with STT, in accordance with MOD's contract terms.

¶4. It is regrettable that such an incident occurred. MOD will immediately inquire into the facts of the incident, find out the cause, determine the final action and discuss specific prevention measures.

End Text

¶6. (C) MOD officials informed EmbOff that while the aforementioned contract was canceled, other STT contracts remain in force. EmbOffs have examined documentation for the transaction corresponding to the Fresco International/STT NVG contract and determined that MOD received generic NVGs rather

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than the Northrop Grumman items specified in the MOD sales contract. On November 5, 2007, the President of STT informed MOD the NVGs were not manufactured by Northrop Grumman and that STT would return all the money received plus a 10 percent penalty.

¶7. (C) Post does not know if the license number for the fraud case under police investigation is the same as the current Blue Lantern. We will continue to encourage MOD to share information concerning STT activities.
SCHIEFFER